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One in ten generics prescriptions in Spain – more than half of what retail pharmacies dispense to patients – are Teva products

29.03.2022

Tags: Spain, Teva, Generics, Manufacturing, Strategy

Teva's general manager for Spain and Portugal, Juan Carlos Conde Ibarra, dives into the recently announced strategy for the affiliate, including the move to a single brand in generics, and a bigger focus on specialty products, biologics and digitalization. In addition, he reflects on his 18 years with the company, the evolution he has seen firsthand, the effects of the COVID-19 pandemic, and the current status of the company after five years with Kåre Schultz as CEO.

We last interviewed you a few years ago in the Czech Republic where you were serving as general manager for Teva in that country plus Slovakia. You remained in that position for six years before coming back to Spain. Can you comment on that career move?

I have been with Teva for 18 years in several positions, spending quite a long time in each. My career with the company started in the Netherlands back in 2004, doing business development for small molecules and licensing products for Teva's commercial platform in Europe. After three years, I had the opportunity to move to Spain to participate in a greenfield operation where I later became responsible for the generics business in the country.

My first assignment in Spain came at a time of growth for the company, where every year felt very different from the previous one. Teva was growing both organically and inorganically, taking big

development steps, moving from a new entrant in the market to the third position overall. Through the Ratiopharm acquisition, we doubled the size of our generics business in Spain, suddenly becoming the main player in the field.

After nine years in Spain, the opportunity to move up arrived in the form of general manager for the Czech Republic and Slovakia. Teva had a great business there and it gave me the chance to learn about new markets and ways of operating.

I spent six years as general manager for those markets. Finally, last year I was offered the opportunity to come back to Spain to lead the affiliate for the country plus Portugal; I like being back home, especially since I already knew most of the management team and people within the organization.

The company's latest financial disclosures for 2021 pointed to solid growth, cash flow, improved profitability and a reduction of net debt. What is your perspective on how the company is doing?

The most important element to highlight is that Teva is very much on track with the path we set for ourselves five years ago with the arrival of CEO Kåre Schultz. At that time, the financial stability of the organization was in a complex situation due to the acquisition of Actavis. We needed to be much more focused on efficiency and growth; I think it is a very good story because we are right on track to improving our profitability and reducing our net debt. We will continue working on that for the next few years but have already taken important steps in that direction.

Teva is a hybrid company in the sense that we are able to address two big elements of the healthcare system – accessibility and new treatments – with one business model. We continue to launch new products into the market such as our recent migraine product.

How does the Spanish affiliate play into the global strategy of Teva? Does it help that you have a large manufacturing plant in the country?

In Spain we have two types of operations, one is the commercialization of both our generics and specialty products, and the other is manufacturing. The latter is done from our plant in Zaragoza and serves the Spanish and international markets – Spain has Teva's second largest production operation after the United Kingdom. Between 20-30 percent of our sales in Spain come from

localized products.

When it comes to the affiliate's commercial operation, it employs a very similar business model to that utilized by Teva worldwide with a strong position in specialty areas within CNS, migraine, multiple sclerosis, respiratory, cystic fibrosis as well as pain-oncology. Naturally, we are also strong with our historic legacy portfolio.

Something special about the company's European business is that around 96 percent of the products we commercialize on the continent, treating European patients, are manufactured in Europe. This characteristic has proven to be relevant, particularly after the supply chain crisis that the world has experienced in recent years.

How would you describe the recognition of the Teva brand in Spain considering that one in ten generics prescribed in the country come from the company?

Indeed, one in ten generics prescriptions in Spain – more than half of what retail pharmacies dispense to patients – are Teva products. The company's brand is quite strong in this market compared to many European markets of a similar size, according to our surveys which indicate that Teva has great name recognition.

We recently announced a new strategy for Spain which we expect will give Teva an even stronger position in the market. The plan is to go from a multi-brand commercial strategy in generics to a single-brand strategy, focusing on Teva; of course, without pulling out the products with the Ratiopharm brand that have served millions of patients for a long time. Our new focus will be on the Teva brand, and the rest will change gradually.

We believe that this is an opportunity to present ourselves to stakeholders in a much clearer way, simplifying the complexity of the company's businesses which involve many segments including generics, specialty, retail pharmacy and hospital pharmacy. I think it is important to simplify our story because it is such a successful one, and we must use the synergies available between the different businesses, so Spain's pharma stakeholders, pharmacies, prescribers and patients better realize that Teva is a special company. Teva is perhaps the biggest manufacturer of medicines in the world and is probably the company that serves the most patients.

In order to tell that special story, we need to break the silos that exist within the organization which have implications in the way we are organized internally and how our market budgets are oriented.

Moreover, given our extensive pipeline, we need to have a more customer-centric business model rather than a product-oriented model, especially in our specialty pharma segment.

Last but not least, the strategy for the Spain and Portugal affiliate will give due attention to the company's digital transformation.

This is not a cost reduction strategy; it is a growth strategy that relies on simplification. We have all the necessary elements to succeed, and the question is about how we organize them to make them more fruitful for customers, prescribers, patients, and ourselves.

How conducive is the Spanish regulatory ecosystem, and the structure of the country's healthcare system, to the new strategy you have outlined?

Spain's pharmaceutical market is not so different from most European or Western markets in the sense that it is highly regulated, which is good because of the kinds of products we deal with.

On the other hand, the country is quite unique in terms of internal organization because it has 17 different systems managed by its Autonomous Communities. Although it is not entirely decentralized; there is a national structure for reimbursement and authorization. Nevertheless, each of the 17 regions must deal with the management of its healthcare system and budget.

All in all, the complexity of the Spanish market is not necessarily a bad quality, it can become a competitive advantage; while it may result in some costs, it also allows companies to take chances with different strategies.

We could take market access strategies for devices or digital products as an example. In a centralized market, a company must convince one body which is inherently a risky endeavor, but in a decentralized market, you can start by convincing one region to provide access or reimbursement and then, based on that experience, expand to other regions with agreements that improve at each step.

Since around 93 percent of the products Teva sells in Europe are produced locally, how do you view the fact that a higher degree of emphasis has been put on the importance of having reliable supply chains, including for APIs? Is it realistic to speak about more localization in Europe?

Teva was able to leverage its European manufacturing network to continue delivering medicines to all of its patients; it helped us be at a better level than many competitors. COVID-19 was a big challenge for the organization, and I think we can be very proud of that.

In regard to the discussion around localization of APIs and other parts of the supply chain, the European Union and member governments have understood that reliability of supply is as important as cost when it comes to medicines. What they can do for the future is slow down or prevent future moves of production outside Europe; it is maybe not about re-localization but rather about changing a trend. Being able to bring back well-established operations to the continent is not easy. However, in the pharma sector we are constantly making decisions on where to allocate new projects, where to grow production, and having a better environment will allow for manoeuvrability.

You mentioned earlier that Teva is very much focused on expanding its innovative portfolio, looking to specialty pharma and biologics. What should the Spanish market expect of this move?

A little less than a year ago we launched a new biologic treatment in the area of severe migraine, a breakthrough therapy in the family CGRP inhibitors which have an extremely positive effect on the lives of patients. Also, COPAXONE, continues to be among the leading products for the treatment of Multiple Sclerosis.

Furthermore, we have a strong pipeline for the future, especially in CNS and devices for respiratory. We are proud to bring innovation to patients; biologics, including biosimilars, will be a key part of Teva's strategy in Spain and globally.

To conclude, what can you say about Teva's culture and the way its brand has evolved over time after so many years of identifying as a generics company?

After 18 years with the company, I can say that the business and the organization has grown a lot. We have a strong legacy and a culture that has evolved, becoming very open and international. We are very focused on diversity, reducing complexity, and growing our entrepreneurial spirit.

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